

REFERENCE TITLE: small installment loan act

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HB 2669

Introduced by
Representative Reagan

AN ACT

AMENDING TITLE 6, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 6-639; RELATING TO CONSUMER LENDER LOANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 6, chapter 5, article 2, Arizona Revised Statutes, is
3 amended by adding section 6-639, to read:

4 **6-639. Alternative charges for loans not exceeding one thousand**
five hundred dollars; renewals; legal action; attorney
fees; lenders with same ownership; prohibition

5 A. WITH RESPECT TO A CONSUMER LOAN HAVING AN AMOUNT FINANCED OF AT
6 LEAST TWO HUNDRED DOLLARS BUT NOT MORE THAN ONE THOUSAND FIVE HUNDRED
7 DOLLARS, A LICENSEE MAY CHARGE IN LIEU OF THE FINANCE CHARGES PERMITTED UNDER
8 SECTION 6-632 BOTH OF THE FOLLOWING:

9 1. AN ACQUISITION FEE FOR MAKING THE LOAN THAT DOES NOT EXCEED TEN PER
10 CENT OF THE AMOUNT FINANCED. THE ACQUISITION FEE MAY ONLY BE CHARGED ON NET
11 PROCEEDS DISTRIBUTED TO THE CUSTOMER. THERE IS A MINIMUM ACQUISITION FEE OF
12 FIFTEEN DOLLARS FOR EACH TRANSACTION. THE ACQUISITION FEE PURSUANT TO THIS
13 PARAGRAPH SHALL NOT EXCEED SEVENTY-FIVE DOLLARS EARNED ON A DAILY PRORATED
14 BASIS FOR THE FIRST NINETY DAYS OF THE LOAN EXCEPT FOR THE FIRST FIFTEEN
15 DOLLARS, WHICH IS EARNED ON THE FIRST DAY.

16 2. A MONTHLY INSTALLMENT ACCOUNT HANDLING CHARGE THAT DOES NOT EXCEED
17 FOUR PER CENT PER MONTH ON THE FIRST ONE THOUSAND DOLLARS AND THREE PER CENT
18 PER MONTH ON AMOUNTS ABOVE ONE THOUSAND DOLLARS.

19 B. THE MINIMUM TERM OF ANY LOAN MADE UNDER THIS SECTION IS FIVE
20 MONTHS. THE MAXIMUM TERM OF ANY LOAN MADE UNDER THIS SECTION IS TWELVE
21 MONTHS. ALL LOANS SHALL BE PRECOMPUTED AND SCHEDULED TO BE PAYABLE IN
22 SUBSTANTIALLY EQUAL MONTHLY AMOUNTS OF PRINCIPAL AND INTEREST. INTEREST ONLY
23 PAYMENT PERIODS ARE PROHIBITED.

24 C. NO CREDIT INSURANCE OR ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE
25 MAY BE SOLD IN CONNECTION WITH A LOAN MADE PURSUANT TO THIS SECTION.

26 D. A LOAN MAY BE RENEWED A MAXIMUM OF THREE TIMES IN A CALENDAR YEAR.
27 A LOAN MAY NOT BE RENEWED IF THE RENEWAL DOES NOT RESULT IN A NET PROCEED TO
28 THE CONSUMER. FOR A RENEWAL, THE LENDER MAY CHARGE AN ACQUISITION FEE AS
29 PRESCRIBED IN SUBSECTION A OF THIS SECTION.

30 E. ON THE PREPAYMENT OF A LOAN MADE PURSUANT TO THIS SECTION, THE
31 UNEARNED PORTION OF THE INSTALLMENT ACCOUNT HANDLING CHARGE SHALL BE REFUNDED
32 TO THE CONSUMER ACCORDING TO THE RULE OF 78. THE UNEARNED PORTION OF THE
33 INSTALLMENT ACCOUNT HANDLING CHARGE TO BE REFUNDED SHALL BE A FRACTION. THE
34 NUMERATOR SHALL BE THE SUM OF THE PERIODIC BALANCES SCHEDULED TO FOLLOW THE
35 MONTH IN WHICH PREPAYMENT OCCURS AND THE DENOMINATOR SHALL BE THE SUM OF ALL
36 PERIODIC BALANCES UNDER THE ORIGINAL INSTRUMENT EVIDENCING THE LOAN. IF THE
37 REFUND AMOUNT IS LESS THAN ONE DOLLAR, THE LENDER IS NOT REQUIRED TO MAKE A
38 REFUND TO THE CONSUMER.

39 F. A LATE FEE OF TEN PER CENT OF THE PAYMENT DUE OR TEN DOLLARS,
40 WHICHEVER IS GREATER, IS INCURRED AFTER A PAYMENT IS TEN DAYS OVERDUE.

41 G. LEGAL ACTION MAY BE TAKEN TO SECURE REPAYMENT OF AN OVERDUE ACCOUNT
42 ONLY AFTER THE ACCOUNT HAS BEEN OVERDUE FOR AT LEAST NINETY DAYS. REASONABLE
43 COSTS AND ATTORNEY FEES SHALL BE PAID BY THE DELINQUENT CONSUMER.

1 H. NO MORE THAN TWO LENDERS WITH SUBSTANTIALLY THE SAME OWNERSHIP MAY
2 HAVE LOANS OUTSTANDING PURSUANT TO THIS SECTION TO THE SAME CONSUMER AT THE
3 SAME TIME. A LENDER MAY NOT MAKE A LOAN IF THE CONSUMER IS GOING TO USE THE
4 LOAN PROCEEDS TO PAY OFF A LOAN FROM ANOTHER LENDER WITH SUBSTANTIALLY THE
5 SAME OWNER AS THE FIRST LENDER.

6 Sec. 2. Short title

7 This act may be cited as the "Small Installment Loan Act".